

Sales of discount cards, which enable purchasers to take advantage of exclusive discounts, are not considered sales of tangible personal property. Sales of such cards represent sales of intangibles and are not subject to Retailers' Occupation Tax and Use Tax liability. See 86 Ill. Adm. Code 130.101. (This is a GIL.)

June 17, 2003

Dear Xxxxx:

This letter is in response to your letter dated January 29, 2003. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found on the Department's Internet website at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

We are writing to request a determination on the applicability of the sales/use tax of your state to products sold by our company. ABC is a network marketing company which sells nutritional, personal care and other consumer products. The products are distributed through independent contractors (Team Members) who recruit other Team Members into their downline. ABC collects and remits sale/use tax on behalf of its Team Members pursuant to an agreement with your state.

We request a ruling on the sales tax treatment of the following program.

- 1 Health Card Sign Up Fee
- 2 Health Card Monthly Fee

The description of this program is attached for your reference.

We would greatly appreciate it if you would identify the basis in statute, regulation or ruling for your determination. Please send your response to the following address:

ADDRESS

Thank you for your prompt consideration of this matter. If you have any questions please do not hesitate to contact the undersigned.

**DEPARTMENT'S RESPONSE:**

Illinois taxes the retail sale and use of tangible personal property under two separate but related statutes. The Retailers' Occupation Tax Act imposes a tax upon persons engaged in the business of selling at retail tangible personal property. 86 Ill. Adm. Code 130. 101. The Use Tax Act imposes a tax upon the privilege of using in this State tangible personal property purchased at retail from a retailer. 86 Ill. Adm. Code 150.101.

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I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b) described above.

Very truly yours,

Terry D. Charlton  
Associate Counsel

TDC:msk